

S-391  
21 Oct. 1958

SOVIET BLOC - LATIN AMERICAN TRADE  
1948-1950

During the postwar period, Latin American trade with the Soviet Bloc reached a peak of \$334.0 million in 1955. Even at this high point Latin America still conducted only 2.5 percent of its total trade with the Bloc. During 1956 and 1957 trade went through a period of decline and in 1957 total trade with the Soviet Bloc equaled only \$195 million. This was less than 2 percent of Latin America's total world commerce. The decline during these years is accounted for by several factors. During 1954 and 1955, both Argentina and Uruguay exported more to the Bloc than they were willing or able to import and consequently both built up large credit balances in their clearing accounts with Bloc countries. Part of the reduction in trade during 1956 and 1957 was the result of a deliberate restriction of exports on the part of both countries in an effort to reduce these surpluses. Other factors included a general preference for western merchandise which made Bloc goods relatively unattractive and which made it difficult for Latin American countries to import in sufficient amounts to balance their Bloc trade.

However, at the same time the factors just cited were tending to limit Bloc trade, others were developing which are now helping

to encourage it. During 1957, the world market demand for the exports of most Latin American countries weakened significantly. As a result, export prices fell and export earnings were seriously reduced. Because most Latin American countries are engaged in economic development programs requiring large imports of capital goods from the West they suffer a chronic shortage of hard currency. With the fall in the value of exports the drain on their foreign exchange reserves became acute. As a result, strong sentiment has developed for expanded trade with the Soviet Bloc. Many Latin Americans feel that sales to the Bloc must be increased in order to expand export earnings. They also feel that imports from the Bloc must be utilized as a substitute for goods that are difficult to import from the West because of the shortage of hard currencies. Nationalist elements have reinforced this tendency by demanding impartial commercial relations with all parts of the world and greater economic independence from the United States.

The USSR has not hesitated to take advantage of these various factors to encourage an expansion of trade relations. Premier Khrushchev, in an interview with Brazilian newsmen in December of last year and again a few weeks ago, suggested an extension of Soviet-Brazilian trade and pointed to the possibility of the installation of industrial plants with Soviet assistance. Other official pronouncements were made along a similar line by Soviet

and Satellite diplomatic and commercial delegations which visited Latin America during the last year.

As a result of these factors, the downward trend was reversed early in 1958 and trade is now increasing. Argentina and Uruguay will show very large gains in trade with the Bloc this year; their trade for the first half of 1958 alone equaled the level reached for the whole of 1957. Chile will show a substantial increase from the negligible volume of past years as a result of the copper wire sales that have been made this year to the USSR and to other Bloc countries.

During the last nine months a number of important new commercial agreements were reached which may foreshadow a continual rise in trade. In January and February of 1958, Argentina sent a purchasing mission to the Bloc for the purpose of utilizing an estimated \$40 million in credit balances which she had accumulated with Iron Curtain countries. The mission concluded purchases amounting to approximately \$27 million. Later in the year, Argentina reached an agreement with the USSR to purchase 1 million metric tons of Soviet crude oil. Finally, in the first week of August, Argentina negotiated for the purchase of about 2 million metric tons of Polish coal to be shipped at the rate of 90,000 metric tons per month. The total value of this transaction has not been disclosed, but it is reported that it will fill 25 percent of Argentina's coal requirements for the next 4 years. Argentina has large reserves of petroleum but lacks the capital to

explicit than and this has provided the USSR with another opportunity to expand economic relations with her. In July the USSR offered Argentina a \$100 million credit to develop her oil resources and this has recently been accepted. This transaction indicates a growing level of Argentine-Bloc trade over the next few years.

Uruguay has also concluded important purchases of petroleum products from the USSR, and Brazil is also giving serious consideration to possible oil purchases from the Bloc. The USSR has offered to sell 200,000 metric tons of crude oil in exchange for coffee and cacao. In May of this year, Brazil reached an agreement with Poland by which she will purchase 14 ocean-going merchant ships over the next three years for a total value of \$25 million. Brazil will export coffee and other products to Poland in exchange.

In summary, it is worth noting that the economic foundation for Latin American - Bloc trade is a sound one. The Bloc can supply a number of products which Latin America needs. These range from fuels, such as oil and coal, to the capital goods needed to develop the area's rich mineral resources and to promote economic development. In addition, the Bloc is an importer of a number of Latin America's most important products such as meat, wool, and copper.

On the other hand, there is throughout Latin America a marked preference for trade with the Free World. Western goods are generally preferred to those from the Bloc. In addition the area would rather

sell its goods for hard currencies instead of inconvertible Bloc credits. Whether or not Bloc trade will continue to expand depends upon the manner in which Free World markets for Latin American products develop and also on the extent to which capital is made available for economic development.

*Prepared by STP and S/est*